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Review of the efficiency of the administrative and financial functioning of the United Nations

Procurement activities in the United Nations Secretariat

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on procurement activities in the United Nations Secretariat (A/71/681). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 1 March 2017.

2. The report of the Secretary-General is submitted in response to General Assembly resolution 69/273, in which the Assembly requested the Secretary-General to provide in the next progress report, information on, inter alia: (a) the global procurement system; (b) an update on the functions of the Regional Procurement Office in Entebbe, Uganda; (c) the impact of Umoja on the procurement process; (d) the advantages and disadvantages of different solicitation methodologies in the procurement of aviation services; (e) an assessment of the pilot project for electronic tendering; (f) an update on the development of the Award Review Board and the Vendor Review Committee; and (g) an update on intensified efforts to promote procurement from developing countries and countries with economies in transition.

II. Comments and observations

A. Procurement trends

3. Upon enquiry, the Advisory Committee was provided with data on procurement trends by major categories of goods and services for the years 2012,

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2013, 2014 and 2015 (see annex I of the present report). The data show that the overall volume of procurement increased from $3,086.9 million in 2012 to $3,351.4 million in 2015.

B. Global procurement system

Regional procurement within the context of service delivery

4. The Advisory Committee recalls that in its resolution 69/273, the General Assembly decided to establish the Regional Procurement Office in Entebbe, Uganda, as a regular office within the Procurement Division of the Secretariat, and looked forward to receiving updates on the functions of the Office in the context of the global service delivery model.

5. In his report, the Secretary-General states that following the implementation of Umoja, as well as other initiatives such as the global field support strategy and the supply chain management strategy, the Secretariat is in a position to re-examine its procurement operations, including the governance framework, the organizational structure and the distribution of procurement offices worldwide (A/71/681, para. 4).

6. In that report, it is indicated that recent studies conducted by the Procurement Division show an imbalance in the distribution of procurement expenditures and procurement staff. For instance, 77 per cent of procurement expenditure is generated through global and regional systems contracts as well as regular contracts established by the Procurement Division, including the Regional Procurement Office; 15 per cent through low-value local procurement in field missions; and the remaining 8 per cent by offices away from Headquarters, tribunals and regional commissions. In contrast, 57 per cent of procurement staff are located in or attached to field missions, 24 per cent are in the Procurement Division and 19 per cent are in offices away from Headquarters, the tribunals and regional commissions. Upon enquiry, the Advisory Committee was provided with further details showing the average procurement volume per procurement staff member at different peacekeeping missions and field-based special political missions and at other offices (see annex II to the present report). The data provided show that the average procurement volume per procurement staff member varies from some $22.6 million to $182,000 at the different peacekeeping missions and field-based special political missions and from $3.6 million to $558,000 at offices away from Headquarters, tribunals and regional commissions.[1]

7. Upon enquiry, the Advisory Committee was informed that data on the average procurement volume per procurement staff member for the Procurement Division at Headquarters and the Regional Procurement Office were not included in the figures in annex II, as the nature of procurement work in Headquarters and the Regional Procurement Office is more strategic, involving the establishment of long-term global and regional systems contracts. The Committee was also informed that the Secretariat envisioned that more transactional work would be shifted in the future from the local to the regional level, i.e., to the Regional Procurement Office, to

[1] Based on Umoja data as of 1 February 2017: staffing data based on Umoja "buyer" and "approver" roles in the source to acquire process; procurement volume data based on value of purchase orders issued in 2016 (preliminary figures subject to change).

support the consolidation of resources away from field missions where staff costs and security risks are typically higher. The Committee was further informed that, based on the same Umoja data used to produce the above-mentioned figures, the average procurement volume per procurement staff member amounted to $18.9 million for Headquarters and $285,673 for the Regional Procurement Office[2] (see para. 6 above and annex II).

8. **The Advisory Committee is of the view that there is a need for more detailed explanations on the imbalance of resources referred to in the report of the Secretary-General (A/71/681, para. 6). In addition, there is also a need for further clarification on the underlying data analysis and methodology applied for estimating workloads related to global and local procurement as well as for the execution of procurement transactions. The Committee trusts that the Secretary-General will provide such explanations in his next report.**

9. In the report of the Secretary-General, it is indicated that the above-mentioned imbalance of resources leads to inefficiencies and a need to consider structural changes. It is stated that procurement needs would be better served by a procurement organization with hubs that are not strictly location-bound, performing procurement functions for the relevant missions, along with a realignment of resources to match workloads. In his report, the Secretary-General proposes a phased approach to the achievement of this goal, and indicates that a proposal for the consolidation of local offices will be developed within the framework of the global service delivery model.

10. Upon enquiry, the Advisory Committee was informed that the structural changes in procurement operations would be facilitated through the implementation of Umoja, which had removed location-based operational barriers, introduced harmonized processes and enabled reporting and real-time management of procurement activities. The Office of Central Support Services was in the process of reviewing, in close coordination with clients and stakeholders, adjustments to the governance framework as well as changes to the organizational structure and distribution of procurement offices worldwide. The future service delivery proposal for procurement, including any proposed changes to the organizational structure, would be based on the gathering of data within the context of the project on the global service delivery model. It was envisaged that the consolidation of procurement operations into hubs and centres of excellence would increase the efficiency of the Secretariat's procurement operations and allow for the realization of benefits.

11. **The Advisory Committee looks forward to being informed of the outcome of the above-mentioned review. The Committee is of the view that any proposal made by the Secretary-General should seek to maximize efficiency gains and operational effectiveness while taking into account the specificities of individual offices and entities and the need to meet their procurement needs. The Committee expects any procurement service delivery proposals put forward to be fully coordinated and integrated with other initiatives under way, such as the supply chain management system.**[3]

[2] Regional Procurement Office figures based on purchase orders issued against regional system contracts by the Office from the third quarter of 2016.

[3] See A/71/681, paras. 1 and 4, as well as A/71/390, paras. 66-77.

Pilot project at Nairobi

12. The report of the Secretary-General provides information on a project that is being piloted in Nairobi to provide procurement support to the United Nations Environment Programme (UNEP), the United Nations Human Settlements Programme (UN-Habitat) and the Office for the Coordination of Humanitarian Affairs of the Secretariat (A/71/681, paras. 8-12). It is indicated that the project is being used to pilot an approach for providing procurement support that leverages Umoja and makes use of the capacity of the Secretariat's procurement offices at the locations where the goods and services are required. In addition, the above-mentioned organizations have access to the Procurement Division's contracts with clients in the United Nations system as well as to local contracts from the peacekeeping missions and offices away from Headquarters, thereby reducing the lead time for procurement in many cases. In order to ensure that minor procurement activities could continue to be performed at the local level without having to be referred to Headquarters, limited delegation of authority was also given to some offices of UNEP, UN-Habitat and the Office for the Coordination of Humanitarian Affairs, subject to completion of mandatory training by relevant staff. Service-level agreements were signed with the United Nations Office at Nairobi and UNEP and UN-Habitat, under which procurement cases originating from UN-Habitat and UNEP are managed by buyer-supervisors in Nairobi and New York. In the context of the pilot project, the Chief Procurement Officer of the United Nations Office at Nairobi reports to the Procurement Division at Headquarters on procurement-related matters.

13. It is indicated in the report of the Secretary-General that the pilot project was discussed at a meeting of the Nairobi Services Board held in January 2016, at which the various agencies involved confirmed that, in general, the new model worked well and could be replicated elsewhere. Upon enquiry, the Advisory Committee was informed that a similar model to that put in place for the United Nations Office at Nairobi, which has resulted in greater client satisfaction and improved delivery of procurement services, was being considered for replication at the United Nations Offices at Geneva and Vienna. **The Advisory Committee recommends that the General Assembly request the Secretary-General to provide, in his next report, an update on the results achieved through the implementation of the pilot project at Nairobi, as well as on the feasibility of the replication of the Nairobi model at the United Nations Offices at Geneva and Vienna.**

Alignment of procurement authorities and accountability standards

14. Information on the delegation of procurement authority is provided in paragraphs 13 and 14 of the report of the Secretary-General. It is indicated that in view of the greater transparency and reduced risk resulting from the implementation of Umoja, the delegated thresholds were increased effective June 2015. All cases above $1 million are decided by the Assistant Secretary-General for Central Support Services following review by the Headquarters Committee on Contracts, except in the United Nations Offices at Geneva and Vienna where, pending alignment with the new Nairobi model, the threshold currently remains at $5 million. The Advisory Committee was informed that, should the Nairobi arrangements be implemented at the United Nations Office at Geneva, an exception would be made with regard to

maintaining the existing $5 million threshold for the Strategic Heritage Plan in order to ensure the effectiveness of project delivery.

15. In this connection, the Advisory Committee recalls that the Board of Auditors discusses delegated procurement authority in its report on peacekeeping operations for the 2015/16 period (A/71/5 (Vol. II), chap. II, paras. 181-191). The Board indicates that for peacekeeping missions, the Assistant Secretary-General for Central Support Services has delegated the procurement authority to the Under-Secretary-General for Field Support, who in turn has delegated the authority to the directors/chiefs of mission support, who then delegate procurement authority to their procurement staff. The Board notes delays in the submission by the Department of Field Support of copies of sub-delegation of procurement authority and the quarterly reports on all approved procurement of core requirements exceeding $500,000, on letters of assist and on ex post facto cases. The Board also notes that the Department of Field Support did not have a full picture of missions' procurement sections, their staff and the training status of those staff. The Board emphasizes that each delegation of procurement authority is a personal delegation and that the person to whom such authority is delegated is responsible and accountable for ensuring that the procurement conducted under his or her authority is in accordance with the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4), the Procurement Manual and all other relevant United Nations instructions. **The Advisory Committee trusts that the Secretary-General will follow up on this matter and take steps both to ensure that procurement reporting procedures are fully applied in a timely manner and to improve procurement accountability and responsibility at peacekeeping missions and other offices and entities.**

World Food Programme joint shipping cell

16. In paragraphs 17 to 19 of his report, the Secretary-General provides information on a framework agreement contracted in 2013 between the World Food Programme (WFP) and the Secretariat in an effort to jointly identify and pursue initiatives that result in a more effective, efficient and coherent approach to supply chain operations. The report indicates that in 2015, an opportunity to develop a joint shipping cell was identified by the two entities. The report indicates that the project will provide an opportunity to reduce costs through the consolidation of goods for the United Nations field missions, combined with the WFP shipping volume, which will result in better leveraging of freight and chartering routes. **The Advisory Committee has long advocated for increased collaboration and cooperation between United Nations system entities and therefore welcomes this initiative. The Committee recommends that the General Assembly request the Secretary-General to provide information in his next report on the efficiency gains and savings achieved in shipping services. In this regard, the Committee encourages the Secretary-General, as Chairman of the United Nations System Chief Executives Board for Coordination, to intensify coordination and collaboration among United Nations organizations in matters related to procurement within the context of the Procurement Network of the High-level Committee on Management (see also para. 42 below).**

Award Review Board

17. In paragraphs 22 to 26 of his report, the Secretary-General provides an update on the Award Review Board, an independent procurement challenge system established to review vendors' submissions to determine whether they were treated correctly and evaluated fairly. The report indicates that expansion of the coverage of the Award Review Board to include offices away from Headquarters (at Geneva, Nairobi and Vienna) has been initiated for solicitations issued since 1 January 2016, but that no challenges have yet been received on solicitations originating from those offices. With regard to Headquarters, the report indicates that of the 19 procurement challenges received during the period from October 2014 to May 2016, 11 were not accepted because they did not meet the criteria established for review, 2 were withdrawn by the vendors and 6 were reviewed by the Board's experts who recommended denying the challenges in 5 of the 6 cases. The Under-Secretary-General for Management did not approve the recommendation to sustain one part of the challenge filed in the remaining case.

18. Upon enquiry on the criteria established for review, the Advisory Committee was informed that a challenge was rejected if that challenge: (a) resulted from solicitations outside the geographical coverage of the Awards Review Board (Headquarters and the Regional Procurement Office in Entebbe, and the procurement offices in Geneva, Nairobi and Vienna); (b) did not concern the vendor's own proposal but questioned the credibility or quality of other proposals; (c) questioned the Organization's policies and practices, or its definition of its procurement principles (if it disagreed, for example, with what constitutes "best value for money"); or (d) questioned decisions taken on the basis of recommendations of other bodies (such as the Vendor Review Committee). The Committee was also informed that in several cases, the challenges were withdrawn by vendors once they were provided with additional information or clarifications in follow-up debriefings. **The Advisory Committee trusts that the Secretary-General will continue to provide, in his next report, an update on the expansion of the coverage of the Award Review Board as well as information on the challenges received and how they were processed.**

Professionalization of the Procurement Practice Group

19. Details on activities and initiatives related to training and professionalization of the procurement function are provided in paragraphs 27 to 30 of the report of the Secretary-General. The Advisory Committee was informed that the Procurement Division and the Office of Human Resources Management, in consultation with other relevant departments and offices of the Secretariat, were reviewing options for the inclusion of procurement in the design of the young professionals programme in the most relevant job networks, in particular the Management and Administration Network and the Logistics, Transportation and Supply Chain Network. In addition, the Procurement Division was reviewing its regular budget and peacekeeping support account posts at the P-1 and P-2 levels, which could be filled by successful young professionals programme candidates in future years. **The Advisory Committee welcomes this initiative and encourages the Secretary-General to expedite his efforts in this regard.**

C. Information systems and business intelligence

Implementation of Umoja and its impact on procurement

20. With regard to the impact of Umoja on procurement, the report highlights progress in a number of areas, as evidenced by the following: (a) legacy systems have been eliminated; (b) a single end-to-end process (procure to pay) covering the full range of transactions from ordering to payment has been implemented Secretariat-wide; (c) the Procurement Division has migrated to a single vendor database for the entire Secretariat; (d) new reporting and analysis capabilities are being developed in the areas of contract utilization, outstanding deliveries, pending shopping carts and vendor solicitation activity; and (e) over the next year, the Procurement Division will focus on improving the operations of various procurement units, increasing efficiencies, making reporting more transparent and realizing Umoja benefits. The report indicates that all Headquarters and peacekeeping awards of over $40,000 are in the process of being published on the Procurement Division website. **The Advisory Committee welcomes these developments. It encourages the Secretary-General to continue to make better use of the data contained in Umoja, and to make relevant procurement information available, with a view to increasing the visibility and transparency of procurement activities as well as improving procurement practices and operations.**

Electronic tendering

21. In paragraphs 37 to 44 of the report of the Secretary-General, an update is provided on the electronic tendering pilot project initiated in 2014, including information on the objectives pursued by the Procurement Division and the elements of the solicitation exercise that are processed electronically, as well as data on offers submitted in response to 110 e-tendering exercises and the results of a survey of registered vendors. The Secretary-General indicates that the initial implementation phase of the project has provided valuable lessons, in particular that vendor outreach is critical before the e-tendering pilot is extended to additional procurement teams. The report states that before the system is rolled out to other teams in the Procurement Division, extensive testing and assessments of any impacts are envisaged. **The Advisory Committee notes the use of information technology to achieve efficiency in the processing of solicitations. It looks forward to receiving in the next report further updates on the e-tendering project and on results achieved. Bearing in mind the technology challenges referred to by the General Assembly in paragraph 11 of its resolution 69/273, the Committee trusts that the Secretary-General will also report on efforts being made to reach the vendors who may not be able to access the system.**

Standards in information and communications technology procurement

22. With regard to standards in information and communications technology (ICT) procurement (see A/71/681, para. 50), the report of the Secretary-General indicates that the Office of Information and Communications Technology (OICT), supported by the Office of Central Support Services, continues its efforts to create a compliance and governance framework for the use of ICT resources. The report also

indicates that the position of head of the dedicated section for ICT requirements in the Procurement Division was recently reclassified from the Procurement Officer (P-4) level to that of Chief of Section (P-5) (see General Assembly resolution 70/287, annex I, sect. B).

23. Pursuant to a request for further details regarding the statement in the report of the Secretary-General that benefits are already being realized (A/71/681, para. 50), the Advisory Committee was informed that United Nations global systems contracts established by the Procurement Division were now available for all offices of the United Nations Secretariat through the Umoja system; and that with the resulting increased visibility as regards global United Nations requirements and expenditures against contracts, the Procurement Division was able to leverage higher volumes to negotiate better discounts with vendors. For instance, in one global systems contract established by the Division for server software, the consolidation of requirements covering the needs of United Nations Headquarters, offices away from Headquarters, regional commissions and tribunals resulted in an increase of volume discounts from 31 to 51 per cent for software licences and from 15 to 20 per cent for maintenance support. In addition, cost reductions can be expected from the consolidation of shipments.

24. The Advisory Committee was further informed that procedures established by the Office of Information and Communications Technology require a review by the Project Review Committee of all ICT projects and initiatives exceeding $200,000 over a four-year period before procurement action can be taken (see para. 40 below), thereby ensuring compliance with the governance framework and the technology standards established under the ICT strategy. Such clearance procedures facilitate policy coordination and direction on all ICT matters, ensure efficiency and prevent duplication of procurement. In addition, the application of standards for hardware and software reduces the number of the different ICT products in use and allows optimization of ICT costs. **The Advisory Committee trusts that the above procedures are rigorously enforced throughout the Secretariat, including in peacekeeping. The Committee will revert to the issue of Secretariat-wide compliance with ICT policies and standards in the procurement of ICT goods and services within the context of its consideration of the Secretary-General's next report on the implementation of the ICT strategy.**

D. Sourcing from global markets

Procurement from developing countries and countries with economies in transition and business seminars

25. The report of the Secretary-General indicates that ensuring access to business opportunities for vendors from developing countries and countries with economies in transition remains a high priority for the Organization (A/71/681 paras. 54-56) and that there has been a steady increase of vendors from non-industrialized countries participating in the solicitations issued by the Procurement Division. Figure II of that report shows that the number of participating vendors from non-industrialized countries increased from 550 in 2011 to 952 in 2013 and to 1,495 in 2015. The Secretary-General attributes the increase since 2013 mainly to the introduction of basic-level registrations and to the establishment of the Regional

Procurement Office, which provided on-site vendor registration support to regional vendors, as well as to the incorporation of live registration sessions in business seminars (A/71/681, para. 55). The report of the Secretary-General also indicates that the increased participation of vendors from non-industrialized countries resulted in an increase in business awarded to suppliers from developing countries and countries with economies in transition, as shown in figure III of the report of the Secretary-General. Upon enquiry, the Advisory Committee was provided with the following table exhibiting the trends in procurement volume from 2009 to 2015, with preliminary data for 2016.

	Developing countries			*Countries with economies in transition*			*Industrialized countries*				
Year	*Value (millions of United States dollars)*	*Number of countries*	*Percentage of total value*	*Value (millions of United States dollars)*	*Number of countries*	*Percentage of total value*	*Value (millions of United States dollars)*	*Number of countries*	*Percentage of total value*	*Total value*	*Total number of countries*
2009	936	96	25.18	539	12	14.50	2 242	30	60.32	3 717	138
2010	1 026	90	30.44	596	15	17.68	1 749	34	51.88	3 371	139
2011	1 303	104	37.57	561	12	16.18	1 604	34	46.25	3 469	150
2012	1 291	99	41.83	435	12	14.10	1 360	34	44.07	3 087	145
2013	1 405	107	43.44	370	11	11.44	1 460	35	45.12	3 235	153
2014	1 458	82	43.32	407	9	12.09	1 501	34	44.60	3 366	125
2015	1 733	94	51.70	290	11	8.65	1 329	31	39.65	3 352	136
2016	1 592	112	45.78	309	18	8.88	1 577	33	45.34	3 478	163

Note. Figures for 2016 are preliminary.

26. With regard to the decrease in the number of business seminars offered by the Secretariat, from 57 in 2014 to 54 in 2015, as shown in the report of the Secretary-General (see A/71/681 para. 52), the Advisory Committee was informed, upon enquiry, that the number of seminars was highly dependent on the organizing entities, which were in general Member States, and that during the reporting period, prioritization of support to the roll-out of Umoja had to govern the activities of procurement staff.

27. **The Advisory Committee notes the efforts made to promote business opportunities for vendors from developing countries and countries with economies in transition, as well as the increase in the number of vendors from developing countries and countries with economies in transition participating in the solicitations issued by the Procurement Division. The Committee recommends that the General Assembly request the Secretary-General to continue to explore additional innovative ways to promote procurement from developing countries and countries with economies in transition at Headquarters and field offices, and to report on concrete measures taken in this regard.**

Solicitation methodologies in the procurement of long-term aviation services

28. In paragraph 9 of its resolution 69/273, the General Assembly welcomed the conclusion of the pilot project on the request for proposal exercise, and looked forward to information, in the next report of the Secretary-General, on the advantages and disadvantages of the practice of using both invitation to bid and request for proposal methodologies in the procurement of aviation services. Paragraphs 63 to 65 of the report of the Secretary-General provide some information on the advantages and disadvantages of different solicitation methodologies in the procurement of aviation services. In response to its request for further details, the Advisory Committee was informed that, in view of the limited data available, the Secretariat was in a position to provide preliminary results only on the advantages and disadvantages of the request for proposal methodology as compared with the legacy invitation to bid method. The Committee was also informed that, to date, one request for proposal exercise had been fully completed, resulting in a split award, with two air charter contracts, in support of the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). The Procurement Division had launched two additional request for proposal exercises which were ongoing, while eight additional requirements were currently under preparation by the Department of Field Support. The Committee was further informed that the initial delays experienced in transitioning to the new methodology were due to the difficulties faced by the Department of Field Support in elaborating comprehensive logistics-based requirements and technical evaluation criteria.

29. The Advisory Committee was provided with further details on the conduct, costs, quality of service and commercial aspects of the request for proposal solicitation exercise completed at MONUSCO (see annex III below). In brief, the Secretariat indicated that while the request for proposal method appeared to be more time-consuming than the legacy invitation to bid method, it had greater potential as regards higher quality of service, improved safety, increased international competition and overall savings to the Secretariat. Furthermore, the Secretariat expects to make a more meaningful comparison between the two methods during 2018 and 2019 as the Organization becomes more accustomed to the revised methodology and accumulates sufficient contractual data for analysis and benchmarking purposes. **The Advisory Committee notes that the information provided on the advantages and disadvantages of the request for proposal solicitation methodology for procurement of long-term aviation services is of a preliminary nature. The Committee trusts that the Secretary-General will provide further details to the General Assembly at the time of its consideration of the present report.**

After-sale support in vehicle contracts

30. The Secretary-General indicates that the procurement of vehicles has been integrated with the after-sale support required during the entire lifetime of these assets, resulting in a streamlining of the supply chain, with all missions, offices and other entities now having access to centralized price lists in Umoja for ordering spare parts, maintenance tools, technical vehicle documentation, training and technical support directly from vehicle contractors. It is stated in the report that this

centralized system will reduce the ordering process timeline by 90 per cent, from 20-30 days to 2-3 days. **The Advisory Committee trusts that an update on the implementation of after-sale support for vehicles will be provided in the next report, including details on the efficiency gains achieved.**

E. Evolving business practices and developments affecting Secretariat procurement

Update on efforts to eliminate the negative impact of United Nations facilities and operations on the environment

31. Information on the efforts to eliminate the negative impact of United Nations facilities and operations on the environment is provided in paragraphs 78 to 80 of the report of the Secretary-General (A/71/681). **The Advisory Committee notes that on 25 September 2015, by its resolution 70/1, the General Assembly adopted the 2030 Agenda for Sustainable Development, including target 12.7, which is to promote public procurement practices that are sustainable, in accordance with national policies and priorities.** The procurement of goods and equipment in support of the implementation of mandates for improved environmental management within the United Nations continues in accordance with the general principles stipulated in financial regulation 5.12, namely, best value for money; fairness, integrity and transparency; effective international competition; and the interest of the United Nations.

32. **In this regard, the Advisory Committee notes that the General Assembly has not considered for approval the concept of environmentally friendly and sustainable procurement, and has requested the Secretary-General to prepare a comprehensive report on the content of and criteria for such a concept, including its possible impact on the diversification of the origin of vendors and on international competition (see Assembly resolution 62/269). In this regard, the Committee is of the view that, in order for the Assembly to consider this matter, more work needs to be done by the Secretary-General on refining the understanding of the concept of environmentally friendly and sustainable procurement and how it can be applied in practical terms to the United Nations (see A/69/809, para. 39).**

F. Other matters

United Nations Mission for Ebola Emergency Response

33. The report of the Secretary-General indicates that the Procurement Division successfully supported the deployment of various field missions, including the United Nations Mission for Ebola Emergency Response. In this regard, the Advisory Committee recalls that it has requested the Board of Auditors to conduct a detailed examination of the Mission's expenditures, staffing, recruitment and procurement, the outcome of which will be included in the Board's report on the financial statements of the United Nations for 2016 (see A/71/810, para. 37). The Advisory Committee will revert to the above issues in the context of its consideration of the Board's forthcoming report.

34. Upon enquiry, the Advisory Committee was informed that key decisions made during the planning process of a mission affect the delivery of goods and services, and impact the final life-cycle cost of the mission. Furthermore, as procurement must be conducted in accordance with the financial regulations and rules of the Organization, a more proactive involvement by the Procurement Division in the early planning process ensures that the needs of the missions are met satisfactorily, and that procurement principles are adhered to, even during emergency situations. **The Advisory Committee recommends that the General Assembly request the Secretary-General to put in place the necessary procedures to ensure that the Procurement Division is involved from the early stages of the launching and planning of all new missions in order to maximize the efficiency and effectiveness of the procurement process and the use of resources.**

Standing administrative measures

35. In paragraph 71 of his report, the Secretary-General indicates that standing administrative measures for start-up and crisis situations, which are to apply for six months on a renewable basis upon the establishment of a peace operation or confirmation of a crisis or emergency in the field, were finalized in March 2016. The Procurement Division indicated that it had participated in working group meetings in which flexible arrangements, such as emergency delegations, cooperation with other United Nations entities and increases in monetary procurement thresholds, were discussed. **The Advisory Committee recommends that the General Assembly request the Secretary-General to include, in his next report, further information on any standing administrative measures that may have been finalized for procurement, as well as details on the circumstances in which they are used and how their use is reported.**

Fraud

36. Upon enquiry regarding the Secretariat's policy and the internal controls in place for prevention of fraud and corruption, the Advisory Committee was informed that the Secretariat had issued, on 15 September 2016, a comprehensive information circular entitled "Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat" (ST/IC/2016/25). The Committee was informed that the framework describes in detail the Organization's existing regulations, rules, administrative issuances, policies and procedures regarding fraud, including the roles and responsibilities of personnel and the applicable sanctions. In addition, the framework refers to third parties (including vendors), who are obliged to comply with all obligations related to fraudulent acts that are included in their applicable agreements with the Secretariat.

Observations and recommendations of the Board of Auditors

37. In volume I of its report on the financial statements of the United Nations for 2015 (A/71/5 (Vol. I) (see chap. II, paras. 217-251), the Board of Auditors makes a number of observations and recommendations on procurement and contract management. The Board identifies the following examples of weaknesses: (a) a number of cases in which the use of waivers of the requirement for competitive bidding did not appear justified (see paras. 39-40 below); (b) multiple extensions of existing contracts, including long-term contracts; (c) cases of poor vendor

performance, including a case entailing the development of a website in which the vendor may have submitted an extremely low bid to win the contract, and, despite subsequent requests to increase the cost, did not complete the work; (d) cases of inadequate procurement planning and monitoring, including 71 contracts where recorded usage was less than 50 per cent with less than a year before they were due to expire; and (e) Umoja reporting deficiencies.

38. The Board has recommended (a) that the Procurement Division review long-term agreements beyond five years to assess whether it would be appropriate to seek fresh solicitations or to make additional agreements with other leading vendors at competitive prices; (b) that, in cases where exceptionally low bids are accepted, appropriate performance security clauses and key performance indicators for the vendor are automatically included in contracts to protect the interests of the United Nations, and that the release of payments under these contracts should also be subject to increased scrutiny so as to ensure that commensurate value has been delivered; (c) that requisitioning departments, in consultation with the Procurement Division, take steps to improve monitoring of contract delivery and ensure that contracts awarded are completed before their expiry; and (d) that the Procurement Division, in consultation with the Umoja project team, perform a comprehensive review to ensure data integrity and to strengthen data input controls in Umoja; and explore how to strengthen performance measurement tools for vendors, for end-to-end process costs and for quality and staff performance under Umoja Extension 2.

39. With regard to waivers, the Board of Auditors indicates that it identified examples of contracts where competitive bidding processes were waived without documented justification and of contracts that did not include a provision to deal with delayed delivery, thus hindering or preventing the United Nations from recovering any losses incurred. The Board questioned, in particular, the use of a waiver of the requirement for competitive bidding for the procurement of an end point security solution for the Office of Information and Communications Technology (A/71/5 (Vol. I), chap. II, paras. 221-226).

40. Upon enquiry with a view to further clarification, the Advisory Committee was informed that waivers from international competition are granted in exceptional circumstances and only after a diligent review process. In the area of information technology procurement, waivers are typically used for equipment standardization purposes. The Committee was also informed that enterprise architecture and associated standards and policies designed to assure alignment of the enterprise architecture with the overall strategy of the Organization are reviewed, formulated and recommended by the Architecture Review Board, an advisory body functioning under the direction of the Chief Information Technology Officer. In certain cases, specific standards established by the Architecture Review Board are available only through a single manufacturer or software developer. The recommended standards are approved by the Information and Communications Technology Board, which is responsible for ensuring coherent and coordinated usage of information and communications technology across departments and duty stations. The Project Review Committee applies the standards decided upon by the Information and Communications Technology Board uniformly to all information and communciations technology initiatives within the Organization, reviews all information and communications technology initiatives over $200,000 and then recommends that an initiative should — or should not — proceed.

41. **The Advisory Committee trusts that the Secretary-General will address the weaknesses identified by the Board expeditiously, and will also take proactive steps to improve the efficiency and effectiveness of the Procurement Division.**

Harmonization of procurement practices

42. In paragraphs 67 to 69 of his report, the Secretary-General provides information on the Procurement Network of the High-level Committee on Management whose intended function is to facilitate the harmonization of procurement processes within the United Nations system. The report indicates that at its nineteenth session, held in April 2016, the Procurement Network discussed, in particular, the activities of the Working Group on Strategic Vendor Management established in 2014 to develop a road map for vendor management shared across the different procurement functions of the United Nations system. The report also indicates that one of the current initiatives of the Working Group is the development of a virtual business seminar area for vendors which will use the United Nations Global Marketplace to provide vendors with information typically disseminated at business seminars. **The Advisory Committee considers this to be a positive development and continues to emphasize the need for intensifying system-wide collaboration and cooperation on procurement matters. The Committee recommends that the General Assembly request the Secretary-General to provide information on progress made in this regard in his next report (see also para. 16 above).**

III. Conclusion and recommendation

43. The action to be taken by the General Assembly is set out in paragraph 83 of the report of the Secretary-General. The Assembly is requested to take note of the report of the Secretary-General.

44. Upon enquiry, the Advisory Committee was informed that the report of the Secretary-General did not include any proposals requiring approval by the General Assembly that would be approved implicitly should the Assembly decide to take note of the report of the Secretary-General.

45. **The Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General, subject to its comments and recommendations as set out in the paragraphs above.**

Annex I

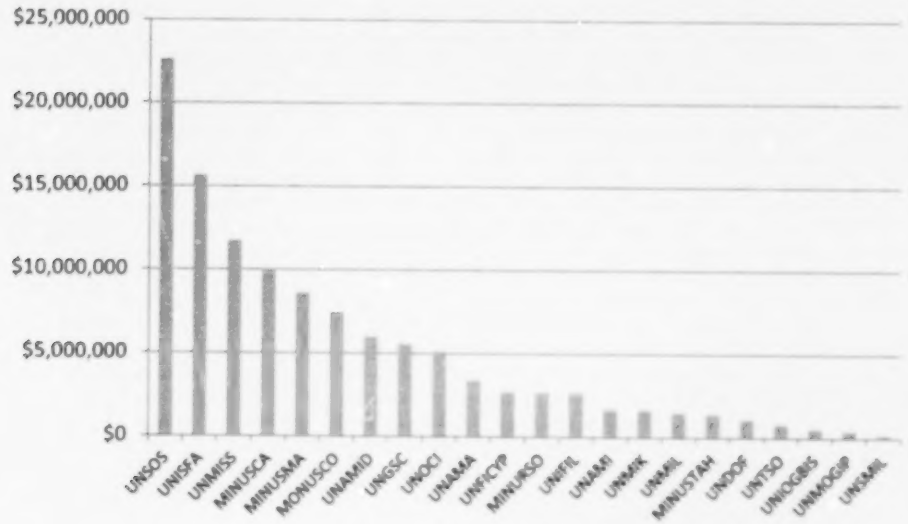
Procurement trends by major categories of goods and services, 2012-2015

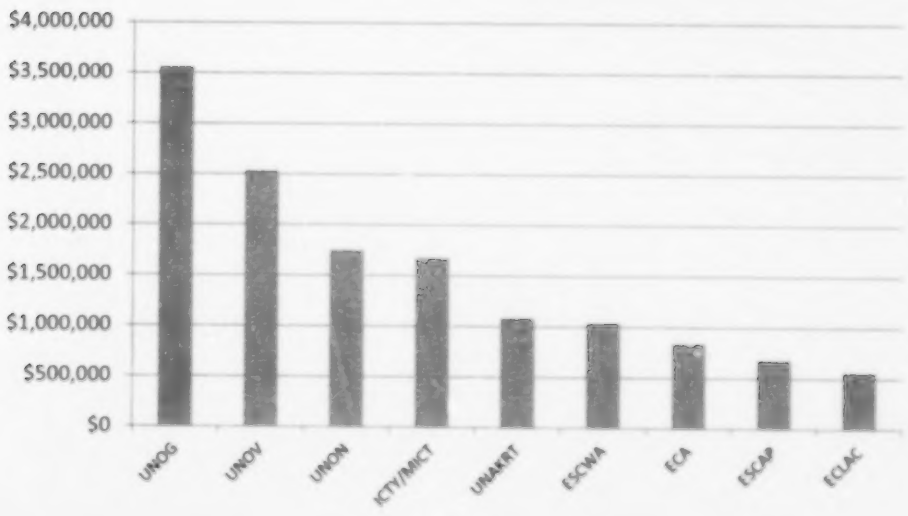
	2015		2014		2013		2012	
	US dollars	Percentage of total	US dollars	Percentage of total	US dollars	Percentage of total	US dollars	Percentage of total
Air transportation services	584 538 834.85	17	773 150 141.67	23	669 820 771.55	21	696 546 916.91	23
Chemical and petroleum products	544 202 644.92	16	565 583 366.72	17	548 660 133.94	17	368 018 241.78	12
Food rations/catering services	446 215 640.88	13	377 341 003.31	11	251 642 496.48	8	252 967 913.05	8
Architecture, engineering and construction-related services	153 852 752.49	5	175 149 046.34	5	239 358 906.29	7	212 653 294.90	7
Rental and lease	119 524 763.67	4	71 360 943.96	2	153 214 795.26	5	147 488 173.57	5
Management services	35 137 181.76	1	43 467 667.62	1	127 226 198.35	4	74 772 354.24	2
Maintenance and repair services	8 831 211.15	0	15 905 804.86	0	120 076 131.10	4	61 741 269.12	2
Freight forwarding and delivery services	192 073 371.38	6	170 929 108.32	5	106 153 694.19	3	187 277 314.21	6
Telecommunications equipment and services	144 991 089.36	4	125 044 263.77	4	88 735 612.13	3	98 654 996.85	3
Electronic data-processing equipment and maintenance services	75 878 428.34	2	58 793 149.93	2	86 801 267.56	3	76 942 824.36	2
Motor vehicles/parts and transportation equipment	86 058 784.44	3	98 231 985.03	3	66 402 929.62	2	63 185 010.85	2
Computer and information technology-related services	113 251 214.43	3	112 411 533.92	3	53 847 392.79	2	49 706 301.00	2
Travel and related services	42 605 019.19	1	45 614 967.47	1	48 946 431.88	2	50 757 403.31	2
Prefabricated buildings	100 316 021.25	3	90 692 230.53	3	44 564 047.43	1	25 739 119.79	1
Cleaning and waste disposal services	68 318 068.15	2	59 355 067.10	2	39 451 559.76	1	24 907 543.56	1

	2015		2014		2013		2012	
	US dollars	*Percentage of total*	*US dollars*	*Percentage of total*	*US dollars*	*Percentage of total*	*US dollars*	*Percentage of total*
Other (including all procurement by offices away from Headquarters, regional commissions and criminal tribunals)	635 606 639.17	19	583 547 599.91	17	589 958 976.06	18	695 533 723.52	23
Total	**3 351 401 665.44**		**3 366 577 880.44**		**3 234 861 344.39**		**3 086 892 401.02**	

Annex II

Average procurement volume by procurement staff member and entity





(Footnotes on following page)

(Footnotes to annex II)

Abbreviations: ECA, Economic Commission for Africa; ECLAC, Economic Commission for Latin America and the Caribbean; ESCAP, Economic and Social Commission for Asia and the Pacific; ESNWA, Economic and Social Commission for Western Asia; ICTY/MICT, International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991/International Residual Mechanism for Criminal Tribunals; MINURSO, United Nations Mission for the Referendum in Western Sahara; MINUSCA, United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic; MINUSMA, United Nations Multidimensional Integrated Stabilization Mission in Mali; MINUSTAH, United Nations Stabilization Mission in Haiti; MONUSCO, United Nations Organization Stabilization Mission in the Democratic Republic of the Congo; UNAKRT, United Nations Assistance to the Khmer Rouge Trials; UNAMA, United Nations Assistance Mission in Afghanistan; UNAMI, United Nations Assistance Mission for Iraq; UNAMID, African Union-United Nations Hybrid Operation in Darfur; UNDOF, United Nations Disengagement Observer Force (Golan Heights); UNFICYP, United Nations Peacekeeping Force in Cyprus; UNGSC, United Nations Global Service Centre; UNIFIL, United Nations Interim Force in Lebanon; UNIOGBIS, United Nations Integrated Peacebuilding Office in Guinea-Bissau; UNISFA, United Nations Interim Security Force for Abyei; UNMIK, United Nations Interim Administration Mission in Kosovo; UNMIL, United Nations Mission in Liberia; UNMISS, United Nations Mission in South Sudan; UNMOGIP, United Nations Military Observer Group in India and Pakistan; UNOCI, United Nations Operation in Côte d'Ivoire; UNOG, United Nations Office at Geneva; UNON, United Nations Office at Nairobi; UNOV, United Nations Office at Vienna; UNSMIL, United Nations Support Mission in Libya; UNSOS, United Nations Support Office in Somalia; UNTSO, United Nations Truce Supervision Organization (Middle East).

Note: Data based on Umoja report of 1 February 2017. Staff data based on Umoja "buyer" and "approver" roles in the source to acquire process. Procurement volume data based on value of purchase orders issued in 2016 (preliminary figures subject to change).

Annex III

Use of the RFP solicitation methodology for the procurement of long-term aviation services (as provided by the Secretariat)

The Secretariat is in a position to provide preliminary results on advantages and disadvantages of the request for proposal methodology versus the legacy invitation to bid method, in light of the limited data available. To date, one request for proposal exercise has been fully completed, resulting in two air charter contracts in support of the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) (split award). The Secretariat has experienced delays in the transition, which were caused by the difficulties faced by the Department of Field Support in elaborating comprehensive logistics-based requirements and technical evaluation criteria. This situation has improved significantly over the last few months, thus leading the Procurement Division to launch two ongoing requests for proposal exercises, while eight additional requirements are currently in preparation within the Department of Field Support.

The pilot request for proposal solicitation clearly highlighted the potential for enhanced international competition on the United Nations aviation market (22 proposals were received versus an average of five bids under the invitation to bid method). As a result, the time taken to complete the end-to-end request for proposal evaluation was longer than normal (5 months versus 2.5 months on average). It is reasonable to expect the amount of time per request for proposal to decrease in future as the Organization gains experience in conducting such exercises and streamlines the request for proposal documents and tools for improved efficiency.

Cost-wise, and upon review of actual aircraft utilization during the first year of operations in MONUSCO, it was determined that the Organization had achieved savings in the amount of approximately $1.2 million per year (9.5 per cent) compared with the same tasking with the previous fleet of aircraft replaced through the request for proposal.

In terms of quality, both air operators have been delivering a satisfactory level of performance to the Mission. Vendors have added on operational flexibility and value to their baseline solution, e.g., by positioning backup aircraft in the Mission area, building crew accommodation at a new main operations base or deploying advanced technical capabilities such as emergency 24/7 operations using night-vision goggles. Vendors have provided a reliable service, with significantly reduced aircraft downtime compared with that under the previous contracts resulting from the invitation to bid. As regards safety, the Department of Field Support recently developed a comprehensive safety assessment scorecard, which will form an essential part of request for proposal technical evaluations from this point on and encourage and/or reward operators with stronger built-in safety management systems.

From a commercial perspective, the request for proposal method entails changes in contractual provisions and the costing model (especially through the inclusion of fuel costs), which bring the United Nations aviation business more in

line with industry standards and best practices, thus making it more attractive and legible to the market and offering opportunities for the Procurement Division to further develop its market research and benchmarking efforts.

In summary, and upon initial examination, the request for proposal method appears more time-consuming to the Organization than the legacy invitation to bid method; it offers, however, the potential for increased value, through higher-quality service, improved safety, increased international competition and overall savings to the Secretariat. A more meaningful comparison can be established in 2018/2019 when the Organization becomes more accustomed to the revised methodology and accumulates sufficient contractual data for use in analyses and benchmarking.